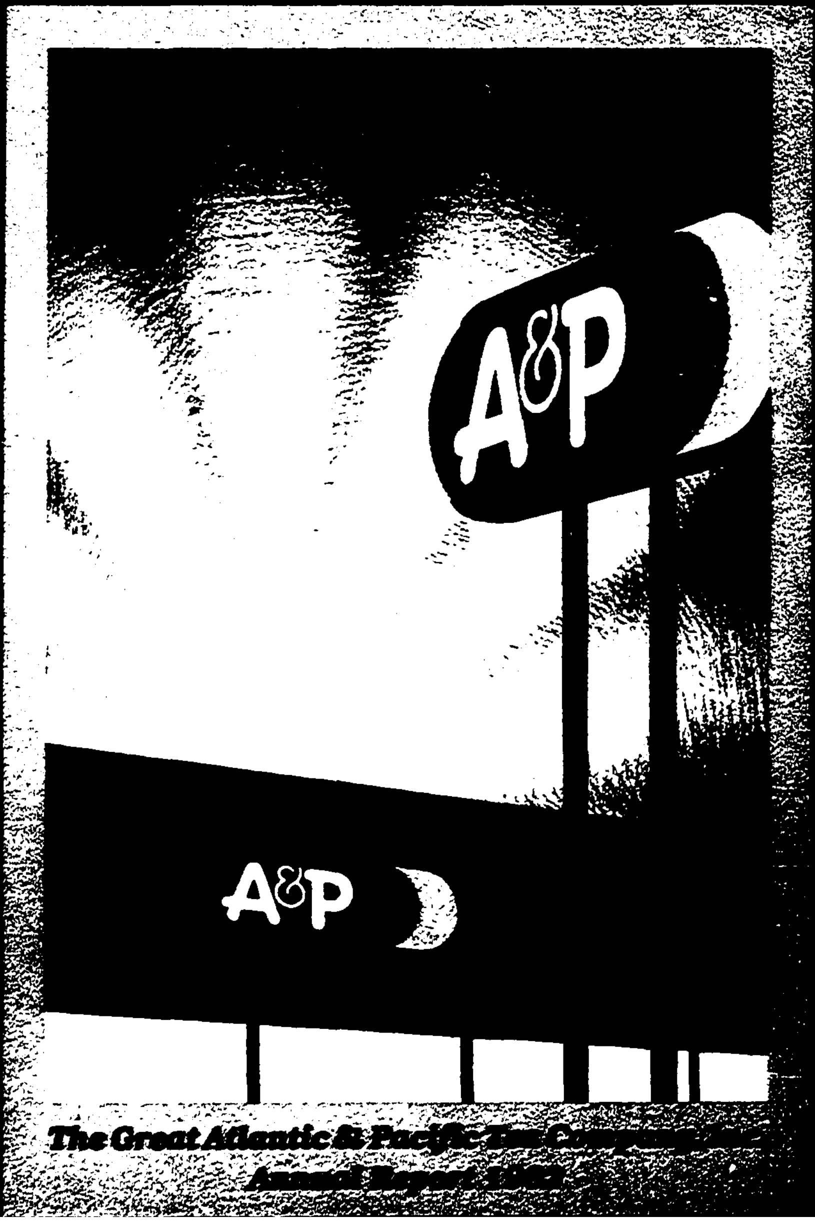
"Turning Point '82 will become a reality and establish the foundation for a strong, profitable and long-lasting A&P."

James Wood · 1981 Annual Report



"We are, today, a company on the threshold of a new era. Our reduced size, lower cost structure and substantially improved financial condition now provide the opportunity for significant growth." -James Wood (1982 Annual Report)

Comparative Highlights

(Dollars in thousands except per share figures)

For the fiscal year	**1982**	1981	1980
Sales	***$4,607,817***	$6,226,755	$6,989,529
Net income (loss)	***31,211***	(101,633)	(43,049)
Net income (loss) per share	***.83***	(2.72)	(1.35)
Additions to property*	***33,128***	68,406	67,844
Working capital	***185,069***	175,762	259,792
Current ratio	***1.45***	1.41	1.50
Stockholders' equity	***329,372***	302,153	403,786
Book value per share	***8.81***	8.08	12.68
Number of stores at year end	***1,016***	1,055	1,543

*Includes leased equipment of $11 million in fiscal 1980.
Excludes real property leased under capital leases.

Contents

The cover illustration represents the dawn of a new era for The Great Atlantic & Pacific Tea Company, Inc. Significant quotations from the company's three-year business plan are used throughout the report to punctuate our management approach to this new era.

"Turning Point '82 will become a reality and establish the foundation for a strong, profitable and long-lasting A&P."

To Our Stockholders:

It was with both determination and confidence that we concluded the annual report message last year with the promise that 1982 would be the turning point for A&P. I am happy to report that the promise has become a reality, and that we now have indeed established the foundation from which we can build a strong, profitable and long-lasting A&P.

In fiscal 1982, we achieved our best net income results since 1970, with profitability in all four quarters. Earnings for the year were $31,211,000 or $.83 per share, based on total sales of $4,607,817,000. That compares with a loss in fiscal 1981 of $101,633,000 or $2.72 per share on sales of $6,226,755,000. The 1981 results included a $200,000,000 charge for anticipated costs of the Company's revitalization program, and a credit of $130,000,000 related to the proposed termination of the Company's pension plan.

Our success in 1982 was the result of three major factors: The elimination of unprofitable operations; the implementation of strict, ongoing cost control measures in all areas of our business; and improved marketing and merchandising programs at store level.

When, after much consideration, it became apparent that the consistent losses incurred by our food processing facility in Horseheads, New York, could not be reversed, we proceeded with the originally contemplated termination of its operation early in the year. The elimination of that phase of our business has enabled us to place single-minded emphasis on our retailing operations. A&P stores now feature an improved merchandise mix, with greater emphasis on national brand products. Our private label program has been restructured, reflecting the elimination of slow-moving items, and the upgrading of product specifications and packaging for stronger house brand performers.

Today, our manufacturing operations consist chiefly of our coffee roasting plants, which produce the highly profitable Eight O'Clock, Bokar and other A&P coffees. The distribution of those lines has been broadened to include retailers outside A&P marketing areas, to further improve returns from that phase of our business.

The total retailing emphasis brought about by this change will result in the continued development of merchandising programs that will work hand-in-hand with a campaign to upgrade our supermarkets, measures that will provide maximum levels of customer satisfaction.

A key element of the effort to reduce operating costs has been the need to bring our labor expenses more into line with those of our competitors. We are gratified by the response of our employees and their unions in this regard. In many of our operating areas, the elimination of contract restrictions has improved flexibility, and allowed us to adjust work forces on a more competitive basis. Our cost ratios have improved considerably, thanks to the cooperation of our employees and unions, and we will continue to work with them as partners to bring our labor costs still closer to the industry norms.

One of the best examples of this cooperative spirit was the creation of our Super Fresh subsidiary in 1982, operating in Philadelphia and southern New Jersey. In addition to a more favorable cost structure than had existed previously, Super Fresh operates with a unique labor-management format in which employees have input into management decisions as well as personal incentives to improve sales and productivity. We now have more than 50 Super

Fresh stores in operation, and the response of employees, management and our customers to the new concept has been excellent.

Improved efficiencies and specialized marketing programs yielded positive results in nearly all of our operating groups, resulting in the return to profitability of several divisions. Despite strong challenges and tough price competition, our Canadian subsidiary again responded with excellent results in 1982.

We were also encouraged by the performance of our Super Plus subsidiary. The two Super Plus Warehouse stores in Chicago did well in 1982, and two more were opened recently. We anticipate the addition of several more by the end of this year, as we continue to develop our warehouse store format, a marketing concept proven successful in many areas of the country.

Also slated for expansion is our Family Center, Inc. subsidiary, operator of 22 Family Mart food-drug combination stores. Family Center, Inc. headquarters will soon be relocated from Atlanta, Georgia, to the Clearwater, Florida area and its growth will be patterned along the lines of the newest store, a 55,000 sq. ft. unit in Elfers, Florida. It emphasizes the one-stop shopping approach through its combination of food, drugs, general merchandise and heavy service orientation, and has attracted strong customer interest.

The financial condition of A&P has improved dramatically. Cash and short-term investments totaled $98,449,000 at the end of 1982. In addition, the Company remains optimistic regarding the previously announced intention to terminate the existing employee pension plan covering approximately 10,000 current and 22,000 inactive and retired employees. Under a $50 million court approved settlement, approximately $230 million of plan surplus assets, valued as of February 26, 1983, would have reverted to the Company, on a federal tax-free basis, after giving effect to the settlement agreement and guaranteeing all accrued benefits to members. The termination of the plan has been delayed, however, pending the satisfactory disposition of an appeal filed on April 15, 1983. Upon plan termination, it is the Company's intention to replace the previous pension plan with a new and favorable savings/retirement plan for employee participants.

The combined factors of the elimination of losing operations, the development of improved profits from continuing stores, and the anticipated cash infusion of the pension plan surplus, have put A&P in what is by far its strongest financial position in many years.

We are now able to back our commitment to operating excellent supermarkets with a well financed development program. We have dedicated nearly $300 million of internally generated funds exclusive of pension plan assets over three years for the remodeling and construction of stores, in line with marketing guidelines for prototype departments geared to the local area. This project will raise much of our store network to new standards of modernization and customer appeal. Our comprehensive program of store renewal will be ongoing and become a vital part of A&P's future growth.

We are, today, a company on the threshold of a new era. Our reduced size, lower cost structure and substantially improved financial condition now provide the opportunity for significant growth. We have prepared for this in a number of ways, which are detailed in succeeding sections of this report. As with Turning Point '82, however, A&P's future success still depends upon the understanding of our shareholders, the hard work and dedication of our employees, the support of our suppliers and the loyalty of our customers.

James Wood

James Wood
Chairman of the Board, President
and Chief Executive Officer

April 26, 1983

"We are fully committed to profitability and consistent growth."

Throughout the campaign to restore A&P to profitability, much of management's attention was, by necessity, focused upon the immediate, short-term actions required to reduce losses and establish a profitable core of operations. Now that the turnaround has been accomplished, we have the opportunity to formulate the longer range plans that will help us attain our most important goal—permanent profitability and a pattern of consistent growth.

SUPER FRESH FOOD MARKETS
A unique approach to management/labor relations is proving successful in Philadelphia.

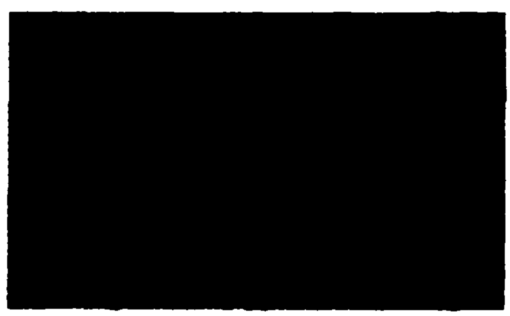
The starting point on this road is consistent, outstanding performance in the basic, yardstick criteria of our industry—profits, earnings per share and share of market. This requires a management team that is totally committed to achieving these quantitative goals; in short, a team that is results-oriented.

The solid performance and growth we envision will not materialize as the result of any radical strategies or "quick-fix" solutions, but by attention to the fundamentals essential to the operation of a leader in the supermarket industry. That means continuing to control our costs effectively, and satisfying increasing numbers of customers.

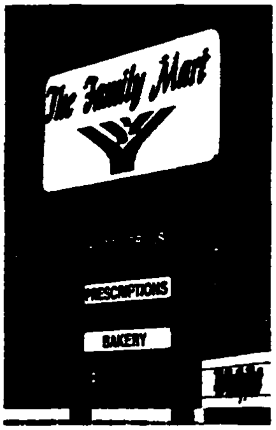
We have dedicated our energies to the development of retail operations that provide maximum customer service, and we intend to provide the training that will enable our store personnel—whose direct contact with our customers can spell the success or failure of our efforts—to make it happen.

Today, we are a more efficiently run company than we were a year ago, albeit a smaller one. Over the next several years, we intend to bring new store development and overall selling space into line with industry norms for a chain our size, while still maintaining a low-cost operating structure.

During that period, we expect each of our operating groups to consistently achieve a volume base that will permit senior management to provide the necessary support services economically, thus maintaining a strong earnings structure. Part of our strategy to increase market share will be the occasional acquisition of stores, to augment our growth from within. We have established high performance standards for all parts of the company, in order to accomplish the strong results and growth we envision. We will also maintain our determination to eliminate



SUPER PLUS WAREHOUSE FOODS
The warehouse store retailing format has considerable appeal to price-conscious shoppers.



FAMILY MART COMBO STORES
Large food-drug combinations are scheduled for further expansion in our southeastern operating area.

any phase of our operation that we feel does not have the potential to approach our overall corporate earnings growth targets.

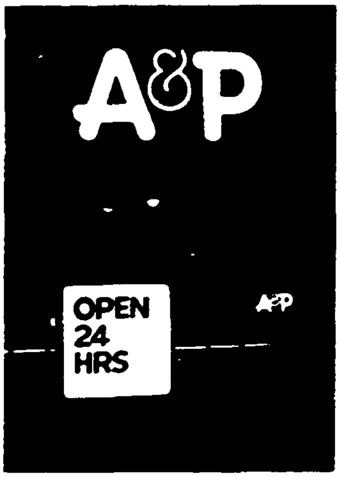
Each manager is required to formulate well-conceived annual plans and growth objectives for his or her area, and each is expected to achieve the goals set forth in those plans. Where it is apparent that a planned result will fall short, it is the executive's responsibility to take the appropriate action to bring results into line. We will not be satisfied to passively "manage" our daily business. We expect our management personnel to take the alert and aggressive actions needed to constantly improve our market positions.

Clearly, the emphasis on careful planning and follow-up is a key element of the management philosophy of the new A&P. By any criteria, our performance in this important area has improved considerably over the past year. Today, our planning mechanism, based on specific, up-to-date store performance information and analysis, is producing workable projections.

Senior management is responsible to create the working atmosphere that encourages our key people to perform both their planning and daily operational functions with confidence. While major changes in company direction must, of course, be approved at the senior management level, there are numerous opportunities in the course of day-to-day operations for executives to exercise initiative in their actions, decisions and recommendations.

Beyond these technical management adjustments, we are fostering the feeling of pride in our ability to meet the needs of our supermarket customers. This unity of purpose, from headquarters down to each A&P store, is being reflected in the quality of merchandise and service that will keep our current customers coming back, and the fresh, new image that will bring in new ones.

Throughout this period, we will continually evaluate our company in terms of several key criteria: Are we truly a leader? Do our stores satisfy customers to the greatest extent possible? Do we recognize marketing opportunities and economic trends well in advance? Do we commit ourselves to new strategies where needed? The ability to consistently answer each of these questions in the affirmative is one of the chief goals of the new A&P.



A&P SUPERMARKETS
Upholding a great tradition of quality and value, with a fresh, modern approach.

"Reporting, control and communication are vital in a decentralized organization."

The revitalization of A&P began only after management took the steps required to more closely monitor each aspect of our business. The implementation of control mechanisms that sharpened the accountability and reporting functions of each area of operation furnished a clear picture of what had to be done to turn the company around.

The past year's success, largely a reflection of those efforts, has reinforced our determination to maintain strict cost controls, and continually evaluate the performance of every A&P operating unit.

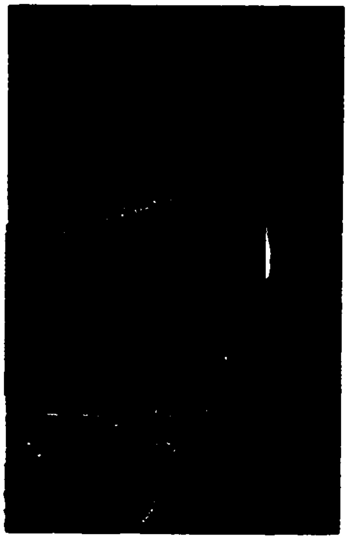
Computerized accounting systems today assist headquarters personnel in tracking the performance of each of our stores, and generate the current information that enables management to deal with problems as they arise, and to recognize business changes and trends in advance. In addition, closer scrutiny of the cost of doing business helps minimize waste, a factor that hampered our profitability in past years.

THE FINANCIAL AND ADMINISTRATION SUB-BOARD
Part of the system which helps to promote effective communication throughout A&P's management.

This accurate, up-to-date base of information is also a key element of our planning functions, enabling our group and divisional managers to produce meaningful performance goals and projections.

Our recognition of the importance of controls and information exchange extends beyond strict financial considerations. In reworking the structure of the company, we were faced with a dual challenge. The first was to effect a more decentralized framework, allowing each operating group to exercise considerable control over its daily business. This measure is essential for success in our industry, in which swift reaction to rapidly changing business conditions and customer demands is crucial. Having achieved this, we then created a communication and reporting system, in which all members of top management are apprised of activities down through the organizational structure, and made aware of company functions outside their particular realm of authority.

The Management Executive Committee meets monthly to study reports on operations, evaluate current programs, share information, and receive and provide corporate direction. The Management Executive Committee, headed by the Chairman, President and Chief Executive Officer, is comprised of key people from all



COMPUTERIZED RECORD-KEEPING SYSTEMS
Up-to-the-minute data enable management to quickly evaluate situations.

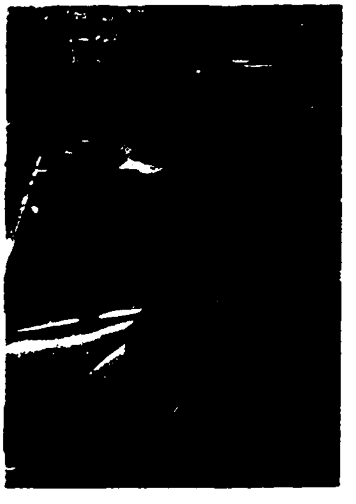
facets of headquarters operation. Several of its members also chair a sub-board, and all serve on other sub-boards, facilitating communications between these specialized groups and the Management Executive Committee.

The current sub-board system is structured as follows: Financial and Administration, overseeing financial and administrative operations for the entire company; U.S. Retail Supermarket Operations, in charge of all domestic A&P, Super Fresh, Super Plus and Plus store operations; Canada Supermarket Operations, responsible for our Canadian subsidiary; Family Center Supermarket Operations, overseeing the operation of the Family Mart food and drug combination store subsidiary; Warehousing and Distribution, which directs that function for the entire company; the Real Estate Committee, which considers all real estate matters, submissions, lease modifications and lease terminations; and the Weekly Operations Review Committee, which reviews store results from all operational areas.

In addition to helping us keep the operations of all of our groups and subsidiaries on track, our sub-board meetings have helped those responsible for specific functions to avoid operating in a vacuum, unaware of the problems, needs and activities of their counterparts performing other specialized responsibilities. This awareness and cooperation is another important aim of the sub-board structure.

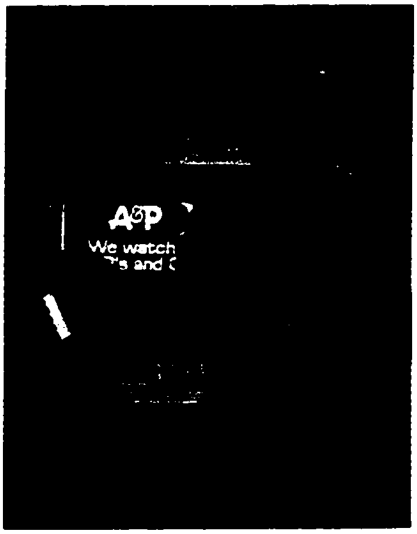
This system has proven to be a most effective method of maintaining the much-needed, frequent dialogue for key managers, both at headquarters and throughout our operating groups. It has enabled corporate management to confidently delegate responsibility, and in addition, has maximized understanding of decisions being made throughout the organization.

A&P is a large organization with a broad geographic distribution, and with the growth we project, it will become even larger. For this reason, and due to our newly decentralized structure, the existence of a sound system of financial controls and accountability, and communication between top management and all groups and divisions is an essential part of our management structure.



SCANNER-EQUIPPED CHECKOUTS
An element of our increased utilization of computer technology.

"People development must rank as a constant top priority."



VIDEOTAPE EQUIPMENT
Audiovisual systems are used for training and in-house presentations.

No person would quarrel with the objective of emphasizing the most important resource any organization has—its people. Yet, it is all too easy in corporate life to lapse into a personnel posture that is long on theory but short on practice. Moreover, because people development requires constant attention rather than spurts of interest, it is quite possible to neglect the subject without being aware of the oversight.

Strict attention to this priority is of premium importance to A&P. After all, we are in a people-oriented business. Few other businesses feature a frequency of contact with customers comparable to ours. To succeed, we must make the supermarket shopping experience as pleasant as possible, and we rely heavily upon our store employees and management to bring this about. Of paramount importance is the customer's perception of our store personnel. Are they serving him or her satisfactorily? Are they competent in the performance of their specific jobs? Are they friendly, courteous, helpful?

Perfection in this area is difficult to achieve, but we are working hard to see to it that A&P employees bring all of these qualities to the forefront every day. Success requires that we exercise care during the hiring process, regardless of the level of position being filled. It means providing the training, both on-the-job and in the classroom. It means doing our best to assign work fairly and create a positive working atmosphere.

It is essential that we make store employees aware of their own importance in keeping our present customers, and in fostering the image that will attract new ones. We believe we can instill this feeling of importance and pride by treating all employees fairly, by listening to their problems and suggestions, and by providing the discipline when needed to demonstrate our commitment to high standards of customer service.

Since A&P is essentially a decentralized company, the basic responsibility for people development rests at the group or division levels. Able leadership there is of pivotal importance, since it is that level of management that reaches directly into

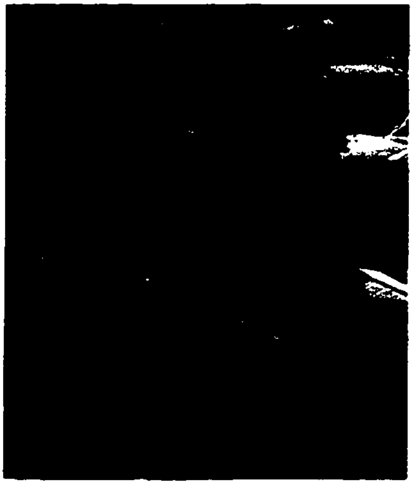
QUALITY OF WORK-LIFE MEETINGS
Productive labor/management dialogue is part of the Super Fresh philosophy.

our stores. We have identified three phases of people development essential to provide proper training and experience for all A&P employees as we build for the future. Let's look at each phase in detail.

Establishing Standards. Here, the chief assignment facing division management has been to get the top 15–20 key positions staffed with the best possible talent. Every key manager has been assessed from the following standpoints: How does he or she perform in terms of end results? Does he or she have high standards of integrity? Does he or she have a real commitment to the business? Those who do not meet these standards cannot effectively serve as part of a division's top management, nor can we build the overall team we want.

Building Depth. One of our goals is to be a career company—a place where an employee can start in a store or other entry-level position and build a satisfying career entirely within the company. It is during the "building depth" phase that each group or division can become self-sufficient in its personnel development program, able to move qualified people from within its ranks, satisfying both the company's functional needs and the employee's advancement ambitions.

Refinement. At this advanced stage, when a unit is operating with capable, well-trained store employees and able management, a number of steps can be taken to solidify manpower requirements for years to come.



CASHIER TRAINING
In-store instruction prepares new employees to perform quickly and accurately.

Each divisional manager is expected to train and develop his or her successor, and to establish a climate in which employees, from store level on up, feel encouraged to achieve their maximum potential. While the primary responsibility for personal advancement rests with the individual, management must do everything possible to stimulate this attitude.

A&P's corporate management is taking steps to ensure that all company groups and divisions are manned by capable leaders. Clearly, this ongoing human resource development strategy requires us to assign a much higher priority to this area than we have in the past. We are beyond the point at which good performance of one's own job is a satisfactory indicator of a manager's effectiveness. At A&P today, people development is a key responsibility shared by all of our management personnel.

"We are a single-minded retail business tailored to the needs of consumers."

In addition to its positive impact on our bottom line results for 1982, the elimination of unprofitable manufacturing operations now permits us to concentrate our management efforts, and capital allocations, on our single-core business—operating better supermarkets.

EIGHT O'CLOCK COFFEE
Long an A&P tradition, and still a favorite of customers.

A&P has long recognized that the springboard to long-term growth and profitability is the revitalization of our store network. Modern, well-merchandised stores catering to the needs of their particular areas will generate the permanent volume gains we are projecting.

This vital project is well underway. We are undertaking a major capital program, investing nearly $300 million from internally generated funds from existing operations in store remodeling and new construction over a three-year period. Complementing this investment is the development of guidelines for new store departments, designed to fit A&P stores in several size categories, and relate to the varied demographics of our many marketing regions.

Major emphasis is on the remodeling of existing store facilities. Units that are primary candidates for remodeling and enlargement are the ones we consider to be superior locations and of sufficient size to reflect our new prototype plans. Capital will be assigned on a priority basis to those operating areas that offer the best opportunities for market growth.

PRIVATE LABEL ASSORTMENT
High quality standards and new, modern packaging characterize today's A&P brands.

Our Canadian company is the farthest advanced, having already remodeled numerous stores with expanded bakery-deli operations as a focal point for customers. New and remodeled stores have played an important role in our success in Canada in recent years, and that program will continue.

Early examples of A&P's new store formats in the U.S., are already in operation in New York's Westchester County and in northern New Jersey. With some variations in scale, these units feature an extensive deli, modern in-store bakery, service meat and fish departments, and a service-oriented specialty foods island, which offers imported cheeses, homemade pasta, gourmet ice

creams, a variety of exotic bean coffees, and other freshly prepared foods and gourmet offerings. Grocery departments continue to emphasize popular national brands, complemented by an updated private label program, featuring the A&P and P&Q labels. This assortment combines the key elements of variety, quality and price sought by today's supermarket shopper. And, of course, all A&P stores feature our own Eight O'Clock and Bokar bean coffees, consistent standout performers with customers over the years.

SPECIALTY FOOD 'ISLANDS'
A large assortment of imported and other gourmet fare.

Personal service, fresh perishables and a merchandise mix tailored to neighborhood needs will continue to spark the growth of our successful Super Fresh subsidiary, based in Florence, New Jersey. Super Fresh operates with a unique labor-management format in which employees have both direct input to management and a financial stake in increasing sales and productivity. The subsidiary is expected to have a total of 56 stores, primarily in the southern New Jersey and Philadelphia areas, operating during 1983. The stores, mostly in former A&P locations, have won customer loyalty with their impressive meat and produce departments, strong ethnic food lines and popular prices.

Our Super Plus and Family Center subsidiaries typify the kind of flexibility of operation needed to satisfy the variations of customer needs our broad geographic range dictates. Super Plus, based in Chicago, operates four warehouse type stores, with several additional units slated this year. These stores offer from 3,500 to 7,000 items in the no-frills format—merchandised in warehouse racks rather than regular shelving, with products displayed in shipping cases to reduce operating costs. Although the format emphasizes a low-price image geared to the budget-conscious shopper, Super Plus shares several key elements of the A&P presentation: fresh, high-quality perishables, and strong national brand and A&P private label offerings.

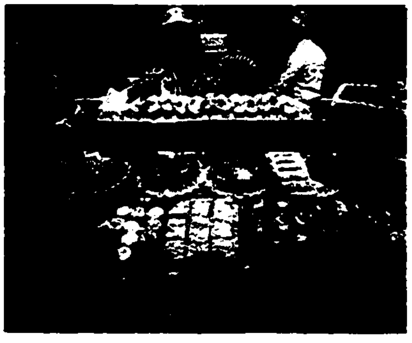
Another segment of our marketing strategy is Family Center, Inc., operator of our Family Mart food-drug combination stores. The newest of these, the 55,000 sq. ft. Elfers, Florida store, is an example of what we consider to be the state-of-the-art combination store format. In addition to its complete food, drug and general merchandise sections and pharmacy, it features high quality perishables, a service fish department called the Seafood Grotto, an

GOURMET MEATS
Special sections offer top-quality cuts made to order for discriminating shoppers.

in-store bakery, an International Cheese Shop, beer, wines and liquors, a floral department and an extensive deli with a sit-down restaurant. Completing the one-stop shopping experience are appliance, giftware and houseware sections. There are 22 Family Mart units in operation today, in Georgia, Alabama, the Carolinas and Florida.

SEA FOOD SHOPS
The best of the day's catch, attractively displayed.

With stores in as many different markets as A&P's operations encompass, it is impossible to cater to specific customer needs with any single marketing approach. The varied formats employed by A&P from region to region illustrate our understanding of that reality, and our capital investment program for store development reflects this.

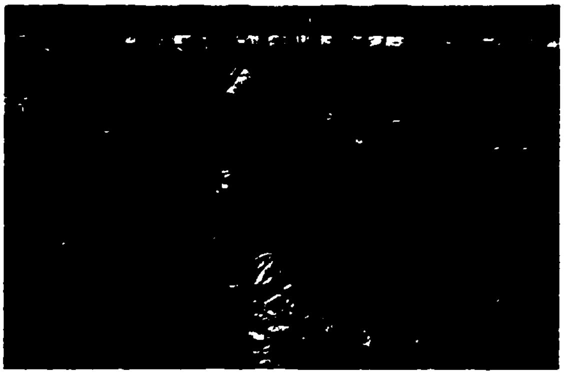


IN-STORE BAKERIES
Freshly baked products for everyday and special occasions.

We will continue to look at each individual store in terms of its ability to satisfy its particular customer base, and its growth potential. The basis of our new prototype program for A&P supermarkets is our belief that even our largest, most complete and service-oriented stores can maintain a low-cost operating structure.

Regardless of the particular strategy employed, A&P's "stores of the future" are being designed for maximum customer appeal–the key to our permanent success.

Our marketing program is dedicated to providing customers with superior quality and value, especially in perishables. That philosophy is mirrored in our improved merchandising, and underlined by the familiar price and quality advertising slogan, "At A&P We Watch Our P's & Q's," an ongoing marketing theme synonymous with top value for the dollar.



FRESH PRODUCE
Straight from the farm, a mainstay in all A&P-operated stores.

Financial Data

Statement of Consolidated Operations

(Dollars in thousands, except per share figures)

	Fiscal 1982 (52 weeks)	Fiscal 1981 (52 weeks)	Fiscal 1980 (53 weeks)
Sales	*$4,607,817*	$6,226,755	$6,989,529
Cost of merchandise sold	*3,575,901*	4,903,227	5,512,202
Gross margin	*1,031,916*	1,323,528	1,477,327
Store operating, general and administrative expense	*914,404*	1,251,584	1,421,457
Depreciation and amortization	*49,870*	67,411	67,902
Income (loss) from operations	*67,642*	4,533	(12,032)
Interest (expense) income:			
Interest expense	*(30,132)*	(35,596)	(36,465)
Interest income	*7,551*	6,430	12,448
Interest expense—net	*(22,581)*	(29,166)	(24,017)
Income (loss) before income taxes, revitalization program and extraordinary credit	*45,061*	(24,633)	(36,049)
Anticipated cost of revitalization program	—	(200,000)	—
Income (loss) before income taxes and extraordinary credit	*45,061*	(224,633)	(36,049)
Provision for income taxes	*(23,700)*	(7,000)	(7,000)
Income (loss) before extraordinary credit	*21,361*	(231,633)	(43,049)
Extraordinary credit—tax loss carryforward utilization	*9,850*	—	—
Extraordinary credit—pension	—	130,000	—
Net income (loss)	*$ 31,211*	$ (101,633)	$ (43,049)
Per common share:			
Income (loss) before extraordinary credit	*$ .57*	$ (6.19)	$ (1.35)
Extraordinary credit—tax loss carryforward utilization	*.26*	—	—
Extraordinary credit—pension	—	3.47	—
Net income (loss)	*$ .83*	$ (2.72)	$ (1.35)

Statement of Consolidated Stockholders' Equity

(Dollars in thousands)

	Fiscal 1982 (52 weeks)	Fiscal 1981 (52 weeks)	Fiscal 1980 (53 weeks)
Common stock:			
Balance forward	*$ 37,393*	$ 37,393	$ 24,893
Exercise of options	*12*	—	—
Increase due to rights offering	—	—	12,500
	$ 37,405	$ 37,393	$ 37,393
Capital surplus:			
Balance forward	*$ 421,052*	$ 421,052	$377,301
Exercise of options	*57*	—	1
Increase due to rights offering	—	—	43,750
	$ 421,109	$ 421,052	$421,052
Cumulative translation adjustment:			
Balance beginning of year	*$ (4,218)*	$ —	$ —
Exchange adjustment	*157*	—	—
	$ (4,061)	$ —	$ —
Retained earnings (deficit):			
Balance forward	*$(156,292)*	$ (54,659)	$ (11,610)
Net income (loss)	*31,211*	(101,633)	(43,049)
	$(125,081)	$(156,292)	$ (54,659)

See Notes to Consolidated Financial Statements on pages 17 through 28.

Consolidated Balance Sheet

(Dollars in thousands)

	February 26, 1983	February 27, 1982
Assets		
Current assets:		
Cash and short-term investments	***$ 98,449***	$ 55,638
Accounts receivable	***58,094***	49,066
Inventories	***414,650***	478,103
Properties held for development and sale	***17,809***	17,989
Prepaid expenses	***3,799***	7,331
Total current assets	***592,801***	608,127
Property:		
Land	***10,443***	11,211
Buildings	***45,026***	49,643
Equipment	***244,850***	274,144
Store fixtures and leasehold improvements	***144,956***	152,032
Total—at cost	***445,275***	487,030
Less accumulated depreciation and amortization	***(199,940)***	(202,842)
	245,335	284,188
Real property leased under capital leases	***104,083***	107,489
Property—net	***349,418***	391,677
Other assets (includes $130 million prepaid pension)	***145,176***	141,875
	$1,087,395	$1,141,679
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	***$ 11,859***	$ 1,817
Current portion of obligations under capital leases	***10,679***	11,162
Accounts payable	***232,410***	268,487
Accrued salaries, wages and benefits	***61,381***	66,077
Accrued taxes	***30,872***	26,293
Current portion of closing reserves and other accruals	***60,531***	58,529
Total current liabilities	***407,732***	432,365
Long-term debt	***116,557***	128,416
Obligations under capital leases	***143,160***	153,975
Deferred income taxes	***8,811***	4,417
Closing reserves and other liabilities	***81,763***	120,353
Stockholders' equity:		
Preferred stock—no par value: authorized—3,000,000 shares: issued—none		
Common stock—$1 par value: authorized—80,000,000 shares: outstanding 37,404,784 shares	***37,405***	37,393
Capital surplus	***421,109***	421,052
Cumulative translation adjustment	***(4,061)***	—
Retained earnings (deficit)	***(125,081)***	(156,292)
Total stockholders' equity	***329,372***	302,153
	$1,087,395	$1,141,679

See Notes to Consolidated Financial Statements on pages 17 through 28

Statement of Changes in Consolidated Financial Position

(Dollars in thousands)

	Fiscal 1982 (52 weeks)	Fiscal 1981 (52 weeks)	Fiscal 1980 (53 weeks)
Source of funds:			
From operations:			
Net income (loss) before extraordinary credit	***$ 21,361***	$(231,633)	$ (43,049)
Expenses (income) not requiring (providing) working capital:			
Depreciation and amortization	***41,642***	56,599	56,695
Amortization of real property leased under capital leases	***8,228***	10,812	11,207
Charge in lieu of current U.S. income tax	***9,850***	–	–
Anticipated cost of revitalization program—net (non-current portion)	–	106,600	–
Deferred income taxes	***4,394***	489	2,493
Deferred investment tax credits	–	(143)	(412)
Working capital provided from operations before extraordinary credit	***85,475***	(57,276)	26,934
Extraordinary credit	***9,850***	130,000	–
Extraordinary credit not providing working capital	***(9,850)***	(130,000)	–
Total working capital provided from operations	***85,475***	(57,276)	26,934
Proceeds from rights offering	–	–	56,250
Disposition of property	***5,875***	17,496	9,464
Transfer of property to current portion of closing reserves	***15,900***	49,001	–
Decrease in property leased under capital leases due to store closings, terminations and amendments	***964***	29,204	877
Decrease in property due to foreign currency translation	***3,980***	–	–
Proceeds from borrowings	–	14,144	1,270
Other	***4,670***	1,461	1,310
Total	***116,864***	54,030	96,105
Disposition of funds:			
Expenditures for property	***33,128***	68,406	56,906
Property leased under capital leases	***5,787***	654	15,114
Decrease in obligations under capital leases due to store closings, terminations and amendments	***6,307***	38,830	1,123
Obligations under capital leases	***4,508***	9,812	(1,540)
Decrease in cumulative translation adjustment	***4,061***	–	–
Current maturities and repayment of long-term debt	***11,859***	15,760	1,919
Transfer of non-current reserves to (from) current liabilities	***41,907***	4,598	(6,723)
Total	***107,557***	138,060	66,799
Increase (decrease) in working capital	***9,307***	(84,030)	29,306
Working capital—beginning of year	***175,762***	259,792	230,486
Working capital—end of year	***$185,069***	$ 175,762	$259,792
Increase (decrease) in components of working capital:			
Cash and short-term investments	***$ 42,811***	$ (52,050)	$ 43,751
Accounts receivable	***9,028***	3,711	(6,230)
Inventories	***(63,453)***	(109,388)	43,620
Properties held for development and sale	***(180)***	(16,096)	3,919
Prepaid expenses	***(3,532)***	(100)	933
	(15,326)	(173,923)	85,993
Accounts payable	***(36,077)***	(62,896)	65,763
Current portion of long-term debt	***10,042***	80	51
Current portion of obligations under capital leases	***(483)***	(1,689)	974
Accrued expenses	***(117)***	(23,059)	(3,093)
Current portion of closing reserves and other accruals	***2,002***	(2,329)	(7,008)
	(24,633)	(89,893)	56,687
Increase (decrease) in working capital	***$ 9,307***	$ (84,030)	$ 29,306

See Notes to Consolidated Financial Statements on pages 17 through 28.

Summary of Signficant Accounting Policies

Fiscal Year—The Company's fiscal year ends on the last Saturday in February. Fiscal 1982 ended February 26, 1983 and comprised 52 weeks, as did fiscal 1981 which ended February 27, 1982. Fiscal 1980 ended February 28, 1981 and comprised 53 weeks.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

Foreign Operations—In fiscal 1982, the Company elected to adopt the principles of Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." Assets and liabilities of foreign subsidiaries as of February 26, 1983 have been translated at year-end rates. Fiscal 1982 income and expense accounts have been translated at average rates prevailing during the year. Stockholders' equity reflects a cumulative translation adjustment of $4.1 million. Foreign exchange losses in fiscal 1981 amounted to $.2 million compared with a loss of $1.8 million in fiscal 1980. Under previously adopted principles of foreign currency translation, the exchange loss in fiscal 1982 would have been $.8 million. Prior years' statements have not been restated to reflect the adoption of FASB No. 52.

Inventories—Inventories are valued at the lower of cost or market, with cost being determined on the following bases: inventories in stores —average cost under the retail method: other inventories, primarily in warehouses and food processing facilities—cost on a first-in, first-out basis.

Properties—The Company leases a substantial portion of its facilities and a majority of store leases are considered to be operating leases.

Owned land and buildings generally consist of stores, food processing facilities and warehouses. Equipment, store fixtures, and leasehold improvements generally are owned, although beginning in 1977 the Company has entered into equipment leasing programs for store equipment and trucks, most of which are accounted for as capital leases.

For financial reporting purposes, depreciation and amortization are provided, generally on the straight line method, over the estimated useful lives of the respective assets. Buildings are depreciated based on lives varying from twenty to forty years and equipment based on lives varying from three to twelve years. Equipment and real property leased under capital leases are amortized over the lives of the respective leases.

Pre-opening Costs—Costs incurred in the opening of a new store are expensed in the quarter in which the store is opened.

Closed Facilities—The Company provides for the estimated loss on the disposition of leased or owned facilities in the period in which the decision to close the facility is made. For significant closing programs, provisions are established for estimated closing and other related costs. The sales for those stores included in such significant closing programs are excluded from the statement of consolidated operations from the effective dates of inclusion in the programs.

Income Taxes—The Company's policy is to provide deferred taxes in recognition of timing differences between income for financial reporting and income tax purposes. However, due to the Company's U.S. tax loss carryforward position, no deferred U.S. taxes have been provided on the differences between financial and taxable income.

Retirement Plans—Annual costs of the Companies' pension plans, which are provided for currently, consist of normal cost, amortization over 40 years of unfunded prior service cost as of January 1, 1976, amortization over 30 years of changes in the unfunded actuarial liability resulting from plan amendments and changes in actuarial assumptions and amortization over 15 years of annual actuarial gains or losses. Annual costs under union/management administered plans are expensed as provided for in the respective collective bargaining agreements.

Compensated Absences—In 1981, in accordance with Financial Accounting Standards Board Statement No. 43, "Accounting for Compensated Absences," the Company accrued for vested and non-vested vacation pay. Previously, the Company accrued for the cost of vested vacation pay and recognized the cost of non-vested vacation pay when paid. Liabilities for compensated absences of $30.9 million and $39.5 million for 1982 and 1981, respectively, are included in the balance sheet caption Accrued salaries, wages and benefits.

Earnings Per Share—Net income (loss) per share is based on the weighted average number of common shares outstanding during the respective fiscal years. Stock options outstanding (common stock equivalents) had no material effect and, therefore, were excluded from the computation of net income (loss) per share.

Operations in Geographic Areas

The Company has been engaged in the retail food business since 1859 and currently does business under the names A&P, Super Fresh Foods, Family Mart, Super Plus, Plus and Compass Foods. Sales and revenues in the table below reflect sales to unaffiliated customers in the United States and foreign countries (principally Canada).

(Dollars in thousands)	***Fiscal 1982***	Fiscal 1981	Fiscal 1980
Sales			
Domestic	***$3,841,218***	$5,558,384	$6,410,123
Foreign	***766,599***	668,371	579,406
Total	***$4,607,817***	$6,226,755	$6,989,529
Income (loss) from operations			
Domestic	***$ 47,063***	$ (11,057)	$ (25,661)
Foreign	***20,579***	15,590	13,629
Total	***$ 67,642***	$ 4,533	$ (12,032)
Assets			
Domestic	***$ 938,813***	$1,023,971	$1,196,852
Foreign	***148,582***	117,708	112,131
Total	***$1,087,395***	$1,141,679	$1,308,983

Indebtedness

Under restrictive covenants contained in the Note Agreements relating to the Company's 9½% Senior Notes issued in September 1977, the Company is presently prohibited from declaring or paying dividends (other than stock dividends) on its common stock. As of February 26, 1983, the Company would have had to have additional Consolidated Net Earnings (as defined) in excess of $152.7 million in order to declare any dividends on its outstanding common stock, in which event, the payment of dividends would be limited to 75% of such excess. The Company is also required to maintain Consolidated Working Capital (as defined) of not less than $175 million. At February 26, 1983, Consolidated Working Capital (as defined) was $197.3 million. Such Note Agreements also place certain limitations on the incurrence of additional indebtedness and lease commitments.

Maturities of long-term debt during each of the next five fiscal years are as follows:

1983	$11,859,000
1984	11,849,000
1985	11,553,000
1986	11,563,000
1987	11,575,000

The Company has approximately $60 million in lines of credit with commercial banks. There were no borrowings made under these lines during fiscal 1982, 1981 or 1980.

With respect to the lines of credit, there are informal arrangements with certain of the banks to maintain compensating balances, expressed in bank collected balances. Such compensating balances requirements are not significant.

Long-term debt (exclusive of current maturities) consists of:

(Dollars in thousands)	***February 26, 1983***	February 27, 1982	February 28, 1981
9½% Senior Notes, due in annual installments of $10,000 through October 1, 1992	***$ 90,000***	$100,000	$100,000
9⅞% Mortgage Notes, due in monthly installments of $83 through September 29, 1997	***13,667***	14,667	15,667
Other notes, interest rates of ⅞% to 14%, due 1984 to 2002	***12,890***	13,749	14,365
	$116,557	$128,416	$130,032

Closing Facilities

During 1981, the Board of Directors approved the development and implementation of a comprehensive revitalization program involving the sale or disposition of a significant number of unprofitable and marginal stores, certain food processing plants, and related support facilities. In the fourth quarter of fiscal 1981, the Company provided $200 million for the current and estimated future expenses related to this program. The provision, which could not be made with certainty because it was dependent on future events, included losses from operations from the decision date to date of closings, estimated loss on the disposal of equipment and leases, employee severance payments, and other related costs.

Included in accounts receivable are notes receivable for $12.7 million at February 26, 1983 and $1.4 million at February 27, 1982 at interest rates ranging from 5% to 17%, principally relating to the sale of closed facilities.

Activity related to reserves provided for closing of facilities including prior programs and the Company's continuing program of evaluating all aspects of its operations is shown below.

(Dollars in millions)	Current Liabilities (a)	Property Valuation	Non-Current Liabilities (a)	Total
Balance February 23, 1980	$ 7.6	$ .8	$ 14.7	$ 23.1
Charges—net	(4.2)	(.3)	(3.2)	(7.7)
Transfer to current liabilities	.8	–	(.8)	–
Balance February 28, 1981	4.2	.5	10.7	15.4
Charges—net	(98.1)	(.5)	(31.7)	(130.3)
Anticipated cost of revitalization program	93.4	–	106.6	200.0
Transfer to current liabilities	3.5	–	(3.5)	–
Balance February 27, 1982	*3.0*	–	*82.1*	*85.1*
Charges—net	*(40.9)*	–	–	*(40.9)*
Transfer to current liabilities	*42.4*	–	*(42.4)*	–
Balance February 26, 1983	*$ 4.5*	$ –	*$ 39.7*	*$ 44.2*

(a) Financial statement captions include other accruals in addition to closing reserves. Included therein are fixed assets which have been transferred to current and non-current liabilities for balance sheet presentation in 1982 and 1981.

Capital Stock

On June 27, 1980 the Stockholders approved an amendment to the Certificate of Incorporation increasing the authorized common stock to 80,000,000 shares from 40,000,000 shares.

On August 6, 1980, the Company completed a rights offering in which all shares of common stock which had been offered were fully subscribed. This resulted in a capital infusion of $56,250,000 which was used in the Company's capital investment program and resulted in the issuance of 12,500,000 additional outstanding shares. TN Delaware Incorporated ("TN"), the Company's largest stockholder at that time, participated in the offering. With the additional shares acquired under the offering, as well as with other shares previously purchased, TN owned approximately 48% of the Company's outstanding common stock at the expiration of the offering period.

On December 10, 1980, TN was dissolved as a corporate entity and all of the shares of the Company's stock owned by it were transferred to its sole stockholder, Tengelmann Warenhandelsgesellschaft ("Tengelmann"). As of that date, Tengelmann owned 50% of the stock of the Company. Tengelmann subsequently increased its percentage ownership in the Company's common stock to 50.7% as of February 26, 1983.

Litigation

In the 1974 Annual Report, the Company reported on an antitrust judgment entered in favor of a Mr. Bray and five other cattle producers or feeders in the amount of $35.8 million plus interest. The Company settled this action in 1975 (for payments ending in 1980 having a present value of about $7 million, which was charged to operations in fiscal 1975) and the judgment was vacated and the action dismissed.

During 1975 and 1976, nine similar antitrust suits, alleging violations of sections of the Sherman Act, were filed in five states, and all of these were consolidated for pretrial purposes in the Dallas Federal Court. One of these actions was purportedly brought on behalf of a class consisting of all persons who are engaged in the business of raising fat cattle who have not otherwise filed claims and who sold more than 100 head of cattle per year. Each of these suits names the Company and other retail food chains as defendants and asks damages and other relief which may include an injunction. While most of these plaintiffs have not specified the amounts of damages they are claiming, their aggregate claims are substantial. In the actions in which money damages are specified or estimated, the plaintiffs allege damages exceeding $270 million.

During 1977, seven additional antitrust suits alleging similar violations of the Sherman Act and seeking unspecified treble damages were filed in Texas and Utah. In certain of these new suits, meat packers to whom plaintiffs may have sold some of their cattle are included as alleged co-conspirator defendants with the food chains. All these actions have been transferred to the Dallas Federal Court for pretrial purposes. One additional cattleman's action was filed in May, 1981 in Lubbock Federal Court, and a similar action has also been filed in California Superior Court but has been dismissed upon motion of the defendants.

On June 14, 1982, the District Judge hearing the federal court actions entered a judgment dismissing the substantial damage claims of the complaints on the ground that plaintiffs had not sold directly to the retail food chain defendants, following Illinois Brick Co. v. the State of Illinois, 431 US 720 (1977). The District Judge's decision has been appealed by the plaintiffs.

In the above private actions, all of which are in the preliminary pretrial stages, money damages awarded to plaintiffs, if any, would automatically be trebled, and such a judgment would also include reasonable plaintiffs' attorneys' fees.

The Company denies all allegations of wrongdoing in the above-mentioned actions. No provision for possible liability has been made in the accompanying financial statements.

On October 30, 1981, as a result of the Company's announced intention to terminate its existing retirement plan ("Plan") and substitute a new plan therefor, suit was brought in Newark, New Jersey Federal Court by a former executive, on behalf of himself and on behalf of a class of Plan participants, against the Company, its directors, its principal shareholder and others. The complaint alleged that the proposed recapture by the Company of approximately $200 million in surplus Plan assets was improper under applicable law and sought both to prevent distribution of the assets to the Company and to require distribution to the Plan participants. An agreement in principle to settle such suit was reached in April, 1982, pursuant to which Plan benefits to participants will be increased at a cost of $50 million. A judgment approving the settlement was entered by the Court on March 18, 1983. The settlement and termination of the Plan are currently under appeal which was filed on April 15, 1983.

In December, 1981, as the result of a charge filed on October 18, 1974, the Equal Employment Opportunity Commission ("Commission") filed suit in Philadelphia Federal Court alleging that the Company, several international unions and certain of their locals have violated the Civil Rights Act of 1964, as amended, by engaging in patterns and practices of employment discrimination. In such suit the Commission seeks to enjoin the defendants from the alleged discrimination in hiring, promotion and other employment practices and require remedial measures, detailed implemental procedures and payments to alleged victims of discrimination.

The Company is also involved in various other claims, administrative agency proceedings and other lawsuits arising out of the normal conduct of its business.

Although the ultimate outcome of the legal proceedings cannot be predicted, the Company's present opinion is that any resulting liability will not have a material effect upon the Company's financial position.

Lease Obligations

The Company operates primarily in leased facilities as it believes that its capital can be invested more productively in inventories and store equipment. Lease terms generally range up to twenty-five years for store leases and thirty years for other leased facilities, with options to renew for additional periods. The majority of the leases contain escalation clauses relating to real estate tax increases, and certain of the store leases provide for increases in rentals when sales at the stores exceed specified levels. In addition, the Company leases some store equipment and trucks because of financial and tax considerations.

The Company accounts for leases in accordance with Statement No. 13 of the Financial Accounting Standards Board. Accordingly, the consolidated balance sheet includes:

(Dollars in thousands)	***February 26, 1983***	February 27, 1982
Real property leased under capital leases	***$170,756***	$169,255
Equipment leased under capital leases	***36,742***	45,962
	207,498	215,217
Accumulated amortization	***85,890***	80,494
	$121,608	$134,723

The value of equipment leased under capital leases is included with owned equipment in the accompanying balance sheet.

The assets and obligations for stores leased under capital leases which are closed prior to lease expiration are eliminated from the accounts as of the date of the decision to close and an accrual is provided for anticipated costs to be incurred upon the ultimate disposition of the facility.

Rent expense for operating leases consists of:

(Dollars in thousands)	***1982***	1981	1980
Minimum rentals	***$39,528***	$64,651	$66,536
Contingent rentals	***2,694***	4,046	4,106
	$42,222	$68,697	$70,642

The minimum annual rentals for leases in effect at February 26, 1983 are shown in the table below. All amounts are exclusive of lease obligations and sublease rentals applicable to facilities provided for in the Company's revitalization program and other closing programs.

Minimum Annual Rentals

(Dollars in thousands)	Capital Leases		Operating
Fiscal	Equipment	Real Property	Leases
1983	$ 6,444	$ 20,757	$ 40,840
1984	6,440	20,450	38,005
1985	5,453	20,077	34,452
1986	2,970	19,665	30,711
1987	1,617	19,236	27,166
1988 and thereafter	2,150	176,744	205,086
	$25,074	$276,929	$376,260
Less executory costs	–	(12,126)	
Net minimum rentals	25,074	264,803	
Less interest portion	(4,750)	(131,288)	
Present value of net minimum rentals	$20,324	$133,515	

Related Party Transactions

On September 11, 1981, the Company entered into a sale/leaseback agreement with the Employees' Retirement Plan covering certain Company owned retail facilities for a total price of $19.9 million. The assets are being leased back to the Company at current market rentals.

Stock Options

The Company has a stock option plan, approved by the stockholders in June 1975, under which officers and key employees may be granted qualified and non-qualified options to purchase not more than 1,000,000 shares of common stock (increased to 1,500,000 in 1981) at not less than the fair market value at grant dates. Outstanding qualified options of 18,500 shares were converted to nonqualified options by operation of law on May 1, 1981, and the plan was amended on January 18, 1982, to provide for granting incentive stock options under the Economic Recovery Tax Act of 1981. At February 26, 1983, there were 398,400 shares available for future option grants and 650,400 were available at February 27, 1982. Of the stock options outstanding at February 26, 1983, including converted qualified options, 249,000 shares were exercisable at the date of grant and 829,000 at cumulative 25% increments after each of the first through fourth anniversaries of the grants. As of February 26, 1983, non-qualified options covering 304,004 shares had been converted into incentive stock options and new incentive stock options were granted covering 394,540 shares. Proceeds from the exercise of options are credited to common stock for the aggregate par value of shares issued and the excess is credited to capital surplus. A summary of option transactions is shown in the table below.

	Incentive Stock Options	Non-Qualified Shares	Option Price Per Share	Total Option Price
Outstanding, February 28, 1981	–	679,500	$ 4.94 to $12.44	$5,806,000
Fiscal 1981:				
Converted to non-qualified options	–	18,500	8.19 to 11.69	–
Granted	–	326,000	5.63 to 5.75	1,873,000
Cancelled or expired	–	(176,000)	5.88 to 11.75	(1,697,000)
Outstanding, February 27, 1982	–	848,000	4.94 to 12.44	5,982,000
Fiscal 1982:				
Transfers	304,004	(304,004)	–	–
Granted	394,540	20,460	5.50 to 8.94	2,400,000
Cancelled or expired	–	(163,000)	5.75 to 12.44	(1,530,000)
Exercised	–	(12,000)	4.94 to 5.88	(69,000)
Outstanding, February 26, 1983	698,544	389,456	$ 4.94 to $12.06	$6,783,000
Shares becoming exercisable in:				
Fiscal 1981	–	28,750	$ 4.94 to $12.44	$ 240,000
Fiscal 1982	56,169	17,706	$ 5.63 to $ 8.19	$ 436,000
Shares exercisable:				
February 27, 1982	–	503,375		
February 26, 1983	102,125	349,875		

Income Taxes

The provision for income taxes consists of the following:

(Dollars in thousands)	***Fiscal 1982***	Fiscal 1981	Fiscal 1980
Current:			
Federal	***$ 9,850***	$ –	$ –
Canadian	***8,197***	6,111	4,657
State and local	***1,259***	543	262
Amortization of investment tax credits	–	(143)	(412)
	19,306	6,511	4,507
Deferred–Canadian	***4,394***	489	2,493
	$23,700	$7,000	$7,000

The anticipated cost of the closing programs is deductible for income tax purposes only as costs actually are incurred. The realization of the entire potential tax benefit of such costs is not considered assured beyond a reasonable doubt because of the Company's existing tax loss carryforward.

The deferred Canadian provisions result from the excess of depreciation deductions of a Canadian subsidiary for tax purposes over amounts recorded for financial statement purposes, and a provision for tax on current undistributed earnings of Canadian subsidiaries. Approximately $7 million of deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries considered to be permanently invested. Approximately $34.6 million of retained earnings of the Company's Canadian subsidiaries can be remitted without an additional tax provision.

Investment tax credits, previously utilized for tax purposes, have been deferred and amortized over the estimated useful lives of the related assets in fiscal 1981 and 1980.

At February 26, 1983, the Company had a U.S. operating loss carryforward, for financial statement purposes, of approximately $296 million which arose principally from provisions for closing of facilities made in fiscal 1974, 1978, and 1981.

For tax purposes, the Company's operating loss carryforward as of February 26, 1983 is approximately $291 million which expires starting in fiscal 1990 through fiscal 1997. The principal difference between the carryforward for financial statement and tax purposes is due to timing differences, particularly costs relating to closed facilities and the 1981 extraordinary credit–pension. In addition, the Company has unused investment tax credits of approximately $37 million. These unused credits, which have not been recognized for financial purposes, will expire starting in fiscal 1988 through 1997.

During fiscal 1981, the Company entered into an agreement, the substance of which was solely to sell the tax benefits–investment tax credits and accelerated depreciation–associated with $11.9 million of certain machinery and equipment placed in service after January 1, 1981, under the Safe Harbor Clause of the Economic Recovery Tax Act of 1981. An amount proportionate to the benefits derived from continuing operations has been recognized as income in the consolidated statement of operations in fiscal 1982 and 1981.

The difference between the Company's effective tax rate and the U.S. and Canadian statutory rate is attributable to the fact that no U.S. tax provision was required for fiscal 1981 and 1980 due to the U.S. operating losses, a lower statutory rate for a Canadian non-resident subsidiary, the Company's policy of amortizing investment tax credits, the effective rates of state and local income taxes and unrealized foreign exchange translation gains and losses.

Retirement Plans

The Company provides retirement benefits for substantially all non-union and some union employees under the Company Retirement Plans. Most other full-time and certain part-time union employees are covered by industry plans administered jointly by management and union representatives. The cost of all retirement plans amounted to $17.5, $25.8 and $37.2 million in fiscal 1982, 1981 and 1980, respectively.

A comparison of accumulated plan benefits and plan net assets for the Company's plans is as follows:

(Dollars in thousands)	December 31, ***1982***	1981
Actuarial present value of accumulated plan benefits:		
Vested	***$ 8,030***	$ —
Non-Vested	***4,480***	4,400
	$ 12,510	$ 4,400
Net assets available for benefits	***$329,695***	$259,866

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 10.0 percent in fiscal 1982 and 1981. The assumed rate of return used was that published by the Pension Benefit Guaranty Corporation, an agency of the U.S. Government, for the applicable valuation date.

During 1981, the Company announced, as part of a comprehensive revitalization program, that it intended to terminate the Company Employees' Retirement Plan and to establish a new, more flexible and attractive plan. The termination would enable the Company to utilize a surplus that has developed in the Plan as a result of overfunding.

On October 30, 1981, a former executive of the Company filed a class action suit to prevent distribution to the Company of the surplus.

On April 5, 1982, a preliminary settlement agreement allowing the Company to terminate the Plan was reached. The agreement was upheld in Federal Court and entered as a final judgment on March 18, 1983. That judgment was appealed on April 15, 1983.

An extraordinary credit of $130 million was recorded in fiscal 1981 which represents the present value of the future economic benefit attributable to the purchase of annuities for pension plan participants in anticipation of the termination of the Plan.

The Company's Canadian pension plans are not required to report to U.S. governmental agencies pursuant to ERISA and do not otherwise determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. For those plans, the actuarially computed value of vested benefits as of December 31, 1982 and 1981 was exceeded by the total of those plans' assets and balance sheet accruals.

The Company could, under certain circumstances, be liable for substantial unfunded vested benefits or other costs of jointly administered union/management plans.

The Effects of Changing Prices (unaudited)

Basis of Preparation—The supplementary financial data presented in the tables below disclose estimated effects of inflation on certain historical financial data as required by Statement No. 33 of the Financial Accounting Standards Board (FASB No. 33), Financial Reporting and Changing Prices. The Company's primary financial statements are presented on an historical cost basis, that is, on a basis of the prices in effect when the transactions occurred.

The data which follow attempt to adjust the historical amounts for the effects of inflation. The required disclosures are experimental in nature and two separate approaches to presenting the data are mandated, as follows:

The Constant Dollar basis presents historical cost information adjusted for changes in the general purchasing power of the dollar. The Consumer Price Index for All Urban Consumers (CPI-U), prepared by the U.S. Department of Labor, is used to measure the effects of general inflation. These constant dollar basis disclosures do not purport to represent appraisal values, replacement cost or any other measure of current values.

The Current Cost basis reflects historical cost information adjusted to show the estimated current costs of inventory and property, plant and equipment which have generally increased over time at a rate different from that of the Consumer Price Index.

Because of the rapid turnover of inventories, the carrying value of inventories is assumed to approximate current cost; therefore, cost of merchandise sold reflects approximate current cost at time of sale.

The current cost calculations for acquiring the same service potential as the Company's owned assets involve a number of judgments as well as use of estimating techniques employed to limit the cost of accumulating the data. The data reported should not be thought of as precise measurements of the assets and expenses involved, but instead approximations of the price changes that have occurred in the Company's operating environment.

The current cost of stores operating under capital leases and store equipment was estimated using the unit pricing method. The current costs of all other fixed assets were estimated using the indexing method. Current cost depreciation is based on the average current cost of property and equipment during the year. Depreciation expense was computed by applying the ratio of historical cost depreciation expense to the current cost of these assets.

FASB No. 33 requires that income taxes not be adjusted for the effects of general inflation and specific prices and also requires adjustment of inventories but not the related accounts payable amounts in determining cost of merchandise sold in the constant dollar calculations.

Statement of Income (Loss) from Continuing Operations Adjusted for Changing Prices

At February 26, 1983 (Dollars in thousands)	Historical Financial Statements	Adjusted for General Inflation (Constant $)	Adjusted For Specific Prices (Current Cost)
Statement of Consolidated Operations			
Sales	$4,607,817	$4,607,817	$4,607,817
Cost and expenses:			
Cost of merchandise sold	3,575,901	3,591,787	3,575,901
Depreciation and amortization	49,870	78,239	112,952
Other costs	936,985	936,985	936,985
Total cost and expenses	4,562,756	4,607,011	4,625,838
Income (loss) before income taxes	45,061	806	(18,021)
Net income (loss)	31,211	(13,044)	(31,871)
Changes in carrying values			
Gain (loss) from decline in the purchasing power of net amounts owed		17,550	17,550
Increase in current cost of inventories and property, plant and equipment			27,620
Less effect of increase in general price level			23,459
Excess of increases in specific prices over increase in the general price level			4,161

Property, Plant and Equipment—Adjusted for Changes in Specific Prices

At February 26, 1983 (Dollars in thousands)	As Reported	As Adjusted
Property, plant and equipment—net	$349,418	$602,882

The Effects of Changing Prices (continued)

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(Dollars in thousands, except per share amounts—in average 1982 constant dollars)

For the Fiscal Year	***1982***	1981	1980	1979	1978
Sales	***$4,607,817***	$6,563,000	$8,086,885	$8,749,590	$10,950,520
Historical cost information adjusted for general inflation:					
Net income (loss)	***(13,044)***	(181,573)	(164,496)	(139,138)	
Net income (loss) per common share	***(.34)***	(4.86)	(5.17)	(5.59)	
Net assets at year end	***551,763***	564,628	811,264	844,844	
Historical cost information adjusted for specific prices:					
Net income (loss)	***(31,871)***	(196,726)	(116,216)	(60,885)	
Net income (loss) per common share	***(.85)***	(5.26)	(3.65)	(2.45)	
Excess of increases in specific prices over increases in the general price level	***4,161***	13,085	55,561	(93,284)	
Net assets at year end	***578,066***	633,196	924,820	1,024,226	
Other information:					
Purchasing power gain (loss) on net amounts owed	***17,550***	52,667	82,697	112,925	
Cash dividends per common share	—	—	—	—	.07
Market price per common share at year end	***$10.17***	$4.87	$6.65	$9.39	$10.00
Average consumer price index	***290.8***	275.9	251.3	222.2	198.4

Management Overview—The effect of inflation on the food distribution industry in general has been significant over the past several years. The additional costs incurred by farmers, food processors and wholesalers are passed on to the Company. Due to the competitive nature of the retail supermarket business, the Company is not always able to pass on these costs fully to the customer. The opportunities for the Company to control inflationary costs are limited, particularly with respect to labor and energy. This trend is also compounded by the growing tendency of customers to buy less expensive items, thus spending the same total dollars on lower margin purchases.

The effect of inflation on the Company's financial results is significant as it relates to inventory, the historical cost of property, plant and equipment (including real property and equipment leased under capital leases) and the related depreciation and amortization expense. Because property, plant and equipment are purchased over an extended period of time, ongoing replacement of existing facilities would be at a much greater cost than that reflected on the balance sheet in historical dollars. Also, depreciation and amortization expense, as reflected in the Company's primary financial statements, includes a ratable portion of those historical dollar costs of property, plant and equipment against sales which are stated in current dollars. The difference between the Statement of Income (Loss) from Continuing Operations Adjusted for Changing Prices and the primary financial statements is due to the effect of adjusting inventory balances and related cost of merchandise sold and the increase in depreciation and amortization expense to reflect average fiscal 1982 dollars and specific prices.

The management of the Company cautions that the data presented reflect the effects of the overall inflation rate as measured by the CPI-U and specific prices. Such data are not necessarily indicative of the impact of inflation on the Company's operations. No attempt has been made to calculate the benefit derived from potential price increases to offset higher depreciation and amortization costs, nor does such data reflect economies, such as sales and labor productivity and more efficient use of energy, which normally accompany the investment in new productive capacity or the fact that certain square footage may not be replaced. Also, the effect of inflation on accounts payable in the constant dollar calculation is not considered. Additionally, no attempt has been made to determine the effect of inflation on the Company's operating leases.

Summary of Quarterly Results (unaudited)

The following table summarizes the Company's results of operations by quarter for fiscal years 1982 and 1981. The Company has revised reportable accounting periods beginning in fiscal 1982 from four thirteen week quarters to thirteen periods each of four weeks in duration. The effect is that the first quarter of fiscal 1982 contains sixteen weeks and each of the remaining three quarters contains twelve weeks. Management's Discussion and Analysis, page 29, discusses these results and significant changes reflected therein.

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
1982					
Sales	$1,359,538	$1,066,524	$1,070,548	$1,111,207	$4,607,817
Gross margin	307,390	231,440	247,867	245,219	1,031,916
Income before extraordinary credit	5,956	5,615	5,355	4,435	21,361
Net income	8,506	8,035	8,185	6,485	31,211
Income per share before extraordinary credit	.16	.15	.14	.12	.57
Net income per share	.23	.21	.22	.17	.83
Common stock market price:					
High	6⅝	8¾	9¼	11	
Low	4⅜	5⅞	7⅜	7¾	
Number of stores at end of period	1,057	1,070	1,036	1,016	
1981					
Sales	$1,701,621	$1,723,986	$1,666,611	$1,134,537	$6,226,755
Gross margin	365,726	355,323	366,143	236,336	1,323,528
Income (loss) before extraordinary credit	(10,377)	(11,388)	(6,920)	(202,948)(a)	(231,633)
Net income (loss)	(10,377)	(11,388)	(6,920)	(72,948)(b)	(101,633)
Income (loss) per share before extraordinary credit	(.28)	(.30)	(.19)	(5.42)	(6.19)
Net income (loss) per share	(.28)	(.30)	(.19)	(1.95)	(2.72)
Common stock market price:					
High	6⅝	5¾	4⅝	5	
Low	5¼	3⅞	3½	3½	
Number of stores at end of period	1,536	1,500	1,449	1,055	

(a) Results for the fourth quarter of fiscal 1981 include a provision of $200 million, representing the anticipated cost of the revitalization program.
(b) Net income for the fourth quarter of fiscal 1981 includes an extraordinary credit of $130 million relating to the decision to terminate the Company's existing pension plan.

Management's Report on Financial Statements

The management of The Great Atlantic & Pacific Tea Company, Inc. has prepared the consolidated financial statements and related financial data contained in this Annual Report. The financial statements were prepared in accordance with generally accepted accounting principles appropriate to our business and by necessity and circumstance include some amounts which were determined using management's best judgments and estimates with appropriate consideration to materiality. Management is responsible for the integrity and objectivity of the financial statements and other financial data included in the report. To meet this responsibility, management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that accounting records are reliable. Management supports a program of internal audits and internal accounting control reviews to provide assurance that the system is operating effectively.

The Board of Directors pursues its responsibility for reported financial information through its Audit Review Committee. The Audit Review Committee meets periodically and when appropriate separately, with management, the internal auditors and the independent certified public accountants, Deloitte Haskins & Sells, to review each of their respective activities.

James Wood
Chairman of the Board of Directors, President and Chief Executive Officer

Vito A. Cardace
Senior Vice President and Chief Financial Officer

Opinion of Independent Certified Public Accountants

The Stockholders and Board of Directors of The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheets of The Great Atlantic & Pacific Tea Company, Inc. and subsidiary companies as of February 26, 1983 and February 27, 1982 and the related statements of consolidated operations, of consolidated stockholders' equity and of changes in consolidated financial position for each of the three fiscal years in the period ended February 26, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed under the caption "Closing Facilities" in the Notes to Consolidated Financial Statements, the Company has provided for estimated losses and related costs which are expected to be incurred in connection with its revitalization program pursuant to which the Company has or will close or sell certain of its stores and related facilities. We have reviewed the procedures applied by the Company in its determination of such provision and the related liability and have inspected the underlying documentation; while the procedures were reasonable and the documentation appropriate, the ultimate provision for the revitalization program presently cannot be determined with certainty, since it is dependent on future events.

In our opinion, subject to the effects on the consolidated financial statements as of and for the years ended February 26, 1983 and February 27, 1982 of such adjustments, if any, which might have been required had the outcome of the revitalization program referred to in the preceding paragraph been known, such financial statements present fairly the financial position of the companies at February 26, 1983 and February 27, 1982 and the results of their operations and changes in their financial position for each of the three fiscal years in the period ended February 26, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
411 Hackensack Avenue
Hackensack, N.J. 07601

April 19, 1983

Operating Results

Fiscal 1982 (52 weeks) Compared with 1981 (52 weeks)

Sales for fiscal 1982 were $4.6 billion compared with $6.2 billion in fiscal 1981, a 26.0% decrease. The significant decrease in sales was attributable to a 34.2% reduction in number of open stores from 1,543 at the beginning of fiscal 1981 to 1,016 at the end of fiscal 1982. Identical store sales however, showed a favorable trend with a 1.3% increase year to year. Average sales per store increased from $88,000 to $96,700 for an increase of 9.9% reflecting the impact of the closing of smaller stores during the year.

During fiscal 1982 the Company returned to profitability as a result of the revitalization program commencing in the fourth quarter of 1981. Income from operations in fiscal 1982 amounted to $67.6 million compared with $4.5 million the prior year.

Gross margins as a percent of sales increased 1.1% over the prior year, from 21.3% to 22.4% primarily as a result of improved product mix, increased buying allowances, the introduction of a forward buying program and improved inventory loss control.

In addition, a consolidation and/or reduction of the Company's administrative and support facilities contributed to an overall reduction of operating expenses from 21.2% of sales in fiscal 1981 to 20.9% in fiscal 1982.

The provisions for income taxes increased as a result of increased profitability. The effect of the increase was offset, in part, by the extraordinary credit representing the utilization of the Company's U.S. Federal net operating loss carryforward.

The overall performance in fiscal 1982 reflects the major redeployment of assets away from the food processing operations to the retailing sector and the conversion of existing retail facilities to higher volume type operations such as the Company's newly formed Super Fresh and Super Plus subsidiaries.

Fiscal 1981 (52 weeks) Compared with 1980 (53 weeks)

Sales for fiscal 1981 were $6.2 billion compared with $7.0 billion in fiscal 1980, an 11.4% decrease. The impact of 53 weeks in fiscal 1980 vs 52 weeks in fiscal 1981 contributed approximately 1.9% to the sales decline. The inflation rate for food at home for the comparable period was 6.2%. Comparisons to last year were impacted by the store closing program announced in the latter part of 1981. Sales recorded by stores included in the Company's revitalization program amounted to $390 million in the fourth quarter and are excluded from the statement of operations. At the end of fiscal 1981, there were 1,055 stores in operation as compared with 1,543 at the end of fiscal 1980.

Gross margin decreased $153.8 million, or 10.4% in fiscal 1981. Gross margin as a percentage of sales was 21.3% in fiscal 1981 and 21.1% in fiscal 1980. The increase in the gross margin percentage resulted from an abatement of the competitive price wars seen in certain markets, an increase in direct promotional allowances received from suppliers, and from the elimination of low margin stores relating to the Company's closing program.

Store operating, general and administrative expense was $1.3 billion in fiscal 1981 compared with $1.5 billion in fiscal 1980, an 11.4% decrease resulting primarily from the reduction in the number of stores operated by the Company. Store operating general and administrative expense, as a percentage of sales, was 21.2% in fiscal 1981 and 21.3% in fiscal 1980.

The loss before income taxes, revitalization program and extraordinary credit was $24.6 million in fiscal 1981, as compared to a loss of $36.0 million in fiscal 1980 which included a $9.4 million charge to cover the estimated costs of an employee severance and early retirement program. The decrease in the loss was mainly due to the closing of unprofitable operations during the fourth quarter of 1981. During the fourth quarter of 1981, a $200 million reserve was established for the closing of unprofitable and marginal stores, certain manufacturing facilities, and related support facilities pursuant to the Company's revitalization program. Also included in 1981 was an extraordinary credit of $130 million, representing the future economic benefit attributable to the acquisition of annuities in conjunction with the planned termination of the Company's existing pension plan and the establishment of a new, more attractive retirement plan.

Fiscal 1980 (53 weeks) Compared with 1979 (52 weeks)

Sales for fiscal 1980 were $7.0 billion compared with $6.7 billion in fiscal 1979, a 4.6% increase. Sales from continuing stores were 1.2% higher in fiscal 1980, as compared with the prior fiscal year. The remainder of the increase is due to the expansion of the PLUS Discount Foods subsidiary and the inclusion of the 53rd week of sales. The inflation rate for food at home for the period was 8.7%. At the end of fiscal 1980, there were 1,543 stores in operation as compared with 1,542 at the end of fiscal 1979.

Gross margin increased $34.2 million, or 2.4% in fiscal 1980. Gross margin as a percentage of sales was 21.1% in fiscal 1980 and 21.6% in fiscal 1979. The decrease in the gross margin percentage is due to economic conditions and the adoption by the Company of a phased program of price reductions throughout the areas in which the Company does business. This was offset in part by higher margins from the Company's coffee roasting operations.

Store operating, general and administrative expense was $1.5 billion in fiscal 1980 compared with $1.4 billion in fiscal 1979, a 5.2% increase. The increase reflects the continued inflationary pressures on labor and other costs, particularly in U.S. supermarket operations as well as the provision of $9.4 million to cover the estimated costs of an employee severance and early retirement program offset in part by income of $2.3 million representing the Company's share of the settlement of a class action brought against certain folding carton manufacturers. Store operating, general and administrative expense as a percentage of sales was 21.3% in fiscal 1980 and 21.2% in fiscal 1979.

The net loss in fiscal 1980 aggregated $43.0 million, as compared with a net loss of $3.8 million in fiscal 1979. The increase in net loss is primarily due to the increase in store operating, general and administrative expense as explained above as well as the decrease in gross margin as a percentage of sales. The net loss trend is also compounded by the growing tendency of customers to buy less expensive items, thus spending the same total dollars on lower margin purchases.

Liquidity and Capital Resources

The Company ended the fiscal year with working capital at February 26, 1983 of $185.1 million as compared with $175.8 million and $259.8 million at February 27, 1982 and February 28, 1981, respectively. The Company had cash and short-term investments aggregating $98.4 million at the end of fiscal 1982 as compared with $55.6 million and $107.7 million at the end of fiscal 1981 and fiscal 1980, respectively. The Company has reduced the amount of credit lines from commercial banks to approximately $60 million from approximately $90 million as of the end of fiscal 1981 to reflect more closely its potential short-term financial needs. These credit lines have not been utilized for a period of over three years. Although the bank lines were established to finance seasonal inventory requirements, such requirements have been funded out of cash flow for the past three years. Enhancing the Company's liquid position at the end of fiscal 1982 has been the net cash impact of the Company's Revitalization Program. During fiscal 1982, the Company financed its $33.1 million capital expenditures through internally generated cash flow and an equipment leasing program.

The first installment under the Company's $100 million, 9½% Senior Note Agreements is required to be made during fiscal 1983. In addition, the Company has forecast capital expenditures in fiscal 1983 of approximately $75 million. It is currently estimated that these amounts could be financed through internally generated funds from an improved earnings position and approximately $45.0 million depreciation expense in fiscal 1983.

The Company plans to continue to use lease financing for store fixtures whenever attractive lease rates can be negotiated and is planning to raise additional funds through the sale and leaseback financing of certain company-owned properties. As a safeguard against credit market shifts and to ensure total financing flexibility, the Company plans to establish a $50 million revolving credit agreement to replace a majority of the existing bank lines.

Upon satisfactory disposition of the appeal of the decision reached by the U.S. District Court, the Company expects to receive approximately $230 million in excess pension plan assets primarily comprised of readily marketable stocks and bonds. The receipt of these assets is subject to required governmental approvals.

Five-Year Summary of Selected Financial Data

(Dollars in thousands, except per share figures)

For the Fiscal Year	***1982***	1981	1980 (b)	1979	1978
Operating results					
Sales	***$ 4,607,817***	$ 6,226,755	$ 6,989,529	$ 6,684,179	$ 7,469,659
Income (loss) before extraordinary credit	***21,361***	(231,633)	(43,049)	(3,807)	(52,186)
Net income (loss)	***31,211***	(101,633)	(43,049)	(3,807)	(52,186)
Per share results (a)					
Income (loss) before extraordinary credit	***.57***	(6.19)	(1.35)	(.15)	(2.10)
Net income (loss)	***.83***	(2.72)	(1.35)	(.15)	(2.10)
Financial position					
Current assets	***592,801***	608,127	782,050	696,057	719,024
Current liabilities	***407,732***	432,365	522,258	465,571	496,338
Working capital	***185,069***	175,762	259,792	230,486	222,686
Current ratio	***1.45***	1.41	1.50	1.50	1.45
Total assets	***1,087,395***	1,141,679	1,308,983	1,230,522	1,281,226
Long-term debt—less current maturities	***116,557***	128,416	130,032	130,681	132,638
Capital lease obligations—long-term	***143,160***	153,975	202,617	202,200	214,914
Equity					
Stockholders' equity	***329,372***	302,153	403,786	390,584	394,388
Dividends per share	—	—	—	—	.05
Book value per share (a)	***8.81***	8.08	12.68	15.69	15.84
Weighted average shares outstanding	***37,398,884***	37,392,784	31,833,356	24,892,137	24,892,084
Number of stockholders	***29,312***	31,311	33,404	34,704	36,556
Other					
Number of employees	***40,000***	45,000	60,000	63,000	72,000
Number of stores at year end	***1,016***	1,055	1,543	1,542	1,771
Total store area (square feet)	***22,601,000***	23,742,000	33,052,000	33,057,000	36,935,000

(a) Based on the weighted average number of common shares outstanding each year.
(b) 53 weeks; all other years contained 52 weeks.

Corporate Officers

James Wood
Chairman of the Board, President and Chief Executive Officer

James W. Rowe
Vice Chairman of the Board, Chief Administrative Officer and Assistant to the Chief Executive Officer

Eckart C. Siess
Vice Chairman of the Board–International Operations

Alan C. Goulding
Senior Executive Vice President, President and Chief Operating Officer, U.S. A&P Retail Operations

John J. Miles
Senior Executive Vice President, Chairman and President, Family Center, Inc.

Frederick C. Kennedy
Executive Vice President, Chairman and President, A&P Canada

Martin H. Kern
Executive Vice President, Merchandising, Purchasing and Distribution

Joseph H. McCarthy
Executive Vice President, U.S. A&P Store Operations

Robert E. Bradford
Senior Vice President, Public Affairs

Vito A. Cardace
Senior Vice President and Chief Financial Officer

Gerald L. Good
Senior Vice President, President, Super Fresh Food Markets, Inc.

H. Prentice Merritt
Senior Vice President, Development

J. Paul Stillwell
Senior Vice President, Metro/New York Group

Ivan K. Szathmary
Senior Vice President, Information and Administration Systems

Robert G. Ulrich
Senior Vice President and General Counsel

Larry G. Zettle
Senior Vice President, Grocery/General Merchandise

Randall A. Bostwick
Vice President, President, Super Market Service Corp.

James B. Burmeister
Vice President, Carolina Group

Timothy J. Courtney
Controller

Patrick R. Cronin
Vice President, Personnel

Herman J. Freytag
Vice President, Central Group

William W. Jackson
Vice President, Southeastern Group

H. Nelson Lewis
Vice President, Industrial Relations

James L. Madden
Vice President, Mid-Atlantic Group

Thomas F. Mayer
Vice President, Meat Merchandising

Arthur C. Melervey
Secretary

Robert M. Quinn
Vice President, Financial Planning and Controls

Gregory K. Raven
Treasurer

Michael J. Rourke
Vice President, Marketing and Corporate Affairs

Burton J. Weinbaum
Vice President, Northeast Group

Richard J. Scola
Assistant Secretary

Harold N. Tolchinsky
Assistant Secretary

Directors

James Wood (c)
Chairman of the Board, President and Chief Executive Officer

Rosemarie Baumeister (b)
Vice President, Tengelmann Warenhandelsgesellschaft, West Germany

Harold J. Berry (b) (c) (d)
Chairman, Investment Banking Committee Merrill Lynch, Pierce, Fenner & Smith, Inc.

Walter D. Dance (a) (d) (e)
Director Emeritus and Consultant, General Electric Company

Christopher F. Edley (a) (e)
Executive Director, United Negro College Fund, Inc.

Helga Haub (c) (d)

Barbara Barnes Hauptfuhrer (a) (e)

Paul C. Nagel, Jr. (a) (d)

James W. Rowe (c) (d) (e)
Vice Chairman of the Board, Chief Administrative Officer and Assistant to the Chief Executive Officer

Eckart C. Siess (c) (e)
Vice Chairman of the Board–International Operations

Fritz Teelen
Executive Vice President, Merchandising Tengelmann Warenhandelsgesellschaft

Henry W. Van Baalen (b)
Business Consultant

(a) Member of Audit Review Committee
Paul C. Nagel, Jr., Chairman
(b) Member of Compensation Policy Committee
Harold J. Berry, Chairman
(c) Member of Executive Committee
James Wood, Chairman
(d) Member of Finance Committee
Paul C. Nagel, Jr., Chairman
(e) Member of Retirement Benefits Committee
Barbara B. Hauptfuhrer, Chairman

Executive Offices
Box 418
2 Paragon Drive
Montvale,
New Jersey 07645
Telephone 201 573 9700

Transfer Agent and Registrar
Manufacturers
Hanover Trust
Company
New York, New York

The Annual Meeting will be held on Thursday, July 7, 1983, at 10:00 a.m., at the Stamford Marriott Hotel, Two Stamford Forum, Stamford Connecticut 06901. Stockholders are cordially invited to attend.

Copies of Form 10-K submitted to the Securities and Exchange Commission will be provided to stockholders upon written request to the Secretary.

Common stock of the Company is traded on the New York Stock Exchange under the symbol "GAP", and has unlisted trading privileges on the Boston; Midwest, Philadelphia Baltimore Washington, Pittsburgh, Cincinnati and Detroit Stock Exchanges.

A&P